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SUBJECT: CHAD'S BUDGET REFORM STRUGGLES AS SPENDING
CONTINUES

REF: 09 NDJAMENA 501

SUMMARY

¶1. (SBU) The GOC continues to struggle with efforts to reform public finance management and responsibly administer its budget, but it officially remains committed to the process. Multilateral donors highlighted strengths and weaknesses of the GOC's public finance reform project. The IMF is planning its annual mission to Chad, which will double as a review of the Fund's Staff-Monitored Program to oversee GOC 2010 budgeting. The IMF team's focus will include election and defense spending and the growing deficit. The GOC continues its reform efforts but at a pace too slow and without enough high-level attention to guarantee results in the near-term. END SUMMARY.

BUDGET REFORM:
STRENGTHS AND WEAKNESSES

¶2. (SBU) A multilateral donor mission, comprised of IMF, WB, and ADB experts, recently concluded a review of the GOC's progress on public finance reform. The officials were not overly optimistic in their concluding remarks to the international community. They noted that the government had revitalized its poverty reduction strategy and had taken advantage of its membership in the Paris Declaration on Aid Effectiveness governing the relationship between donors and partner countries. The experts said that while there were strong technocrats in mid-level ministerial positions, their frequent job rotations -- for seemingly political or personal reasons -- hampered their effectiveness. The international experts added that Chad lacked professional expertise and high-level government attention necessary to guarantee success in public finance reform. They expressed their belief that the GOC needed to develop overarching, comprehensive objectives and then work toward them in a timely manner. While they commended the GOC Steering Committee on finance reform, the donor experts said that additional international technical assistance was sorely needed.

¶3. (SBU) Despite the difficulties, the team said it believed

Chad was slowly making progress. The GOC has recently given international partners a glimpse of its newly computerized government procurement process, an element of its reform strategy. Separately, IMF interlocutors continue to give the GOC generally positive reviews on 2010 budget preparations.

IMF TEAM TO REVIEW AGAIN

¶4. (SBU) An IMF team will visit Chad in mid-March for its annual mission review, according to IMF ResRep Joseph Karangwa. IMF officials will expand their mandate, adding a review of the GOC's initial 2010 budget expenditure activity as part of the extended Staff-Monitored Program (SMP). Karangwa outlined some areas on which the team will focus, including an examination of the budgetary impact of election spending, as the team was concerned that the GOC would not make necessary spending cuts in other areas to offset election expenses. Food security and the government's ability to provide assistance when the effects of the reduced 2009 harvest set in were also of concern. Karangwa noted that the IMF had hoped that the GOC would reduce military spending this year, but said that the approximately USD 400 million budgeted for 2010 defense spending was only slightly less than the average USD 500 million spent in each of the last two years.

¶5. (SBU) Karangwa underscored that the GOC could not successfully conclude its SMP or any other IMF program before identifying debt financing plans. Currently, the government's 2010 budget forecasts a USD 310 million deficit,

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adding to the USD 840 million deficit left from 2009. The GOC had incurred the huge 2009 deficit, precipitated by the 2008 fall in oil prices, even after expending fully its savings and borrowing against its line of credit at the central bank, Karangwa lamented. He shared his belief that the GOC's fiscal philosophy was one of borrowing to sustain or augment current spending levels vice cutting expenses to manage a deficit. He said that the IMF was looking to the GOC to demonstrate a sustainable level of spending.

COMMENT

¶6. (SBU) The GOC continues its reform efforts but at a pace too slow and without enough high-level attention to guarantee necessary results in the near-term. In this top-down government structure, public finance reform has yet to receive sufficient prioritization to compel all GOC entities to participate in and adhere to accepted practices of budget management. Impending elections, development priorities, and need to reintegrate returning rebels will likely keep public revenue management from receiving the attention it needs if the GOC is to reap long-term benefits. END COMMENT.

¶7. (U) Minimized considered.
BREMNER